



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS UNITED STATES AIR FORCE
WASHINGTON 25, D. C.

DPD-7004-60

#688

REPLY TO:

Auditor General
Comptroller, USAF
Eastern District
Liaison Office
P.O. Box 8155, S.W. Station
Washington, D. C.

15 September 1960

SUBJECT: Report on Final Audit of CPFF Subcontract
Fairchild Camera and Instrument Corporation,
Under Purchase Order No. 9103-F From ITEK Corporation,
Under Prime Contract No. AF33 (600) 37230 (RT-100) LMSD
Period: 29 April 1958 to 30 June 1960 (Completion)

TO : Contracting Officer

REF : DPD-3678-70

1. Pursuant to referenced request, a final audit has been performed of the costs and property under the subject purchase order.

2. The results of audit as detailed in Exhibit A are summarized as follows:

	<u>Auditor's Recommendations</u>		
	<u>Claimed By</u> <u>Subcontractor</u>	<u>For</u> <u>Acceptance</u>	<u>For Non-</u> <u>acceptance</u>
Costs	\$2,445,593.53	\$2,435,148.49	\$10,445.04
Fixed Fee	183,468.95	183,468.95	
	<u>\$2,629,062.48</u>	<u>\$2,618,617.44</u>	<u>\$10,445.04</u>

STAT The results of audit were discussed with the subcontractor's representative, [redacted] who concurred therein. The amount recommended for acceptance by the auditor is subject to satisfactory receipt and acceptance of the subcontract items.

3. Property: The auditor was informed by the subcontractor that all residue materials will be utilized under follow-on purchase order No. 9113F, as authorized by ITEK Corporation. The subcontractor's property control procedures have been reviewed and tested and found to be satisfactory.

4. Overhead Rates: Final overhead rates of the subcontractor for 1959 after negotiation and approval by the Air Force, are as follows:

	<u>1/1/ - 6/30/59</u>	<u>7/1 - 12/31/59</u>
<u>Factory</u> (Base-Direct Labor Dollars)	149.5%	149.2%
<u>Engineering</u> (Base-Direct Labor Dollars)	109.2%	102.7%
<u>G & A Expense</u> (Base-Cost of Sales)	11.76%	12.43%

Overheads under the subject contract for the first half of 1960 were determined by the auditor with concurrence of the subcontractor, by applying disallowance factors, based on experience in the prior period, to the subcontractor's book rates. The following rates were thus derived:

Factory	157.9%
Engineering	124.4%
G & A Expense	9.79%

STAT

Audit Liaison Officer
Eastern District
Auditor General